

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCSE

Business Studies and Economics
Unit 5: Introduction to Economic Understanding

Tuesday 15 June 2010 – Morning
Time: 1 hour 30 minutes

Paper Reference
5BS05/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- A calculator may be used.

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL the questions. You should spend 35 minutes on this section.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is used to measure the standard of living? **(1)**

Select **one** answer.

- A** Economies of scale.
- B** Exchange rate.
- C** Gross domestic product.
- D** Market share.

(b) (i) Identify **three** possible costs of unemployment to an individual. **(3)**

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(ii) Explain **one** way in which unemployment affects the economy.

(3)

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(c) Explain how an increase in government spending might help to reduce unemployment.

(3)

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(Total for Question 1 = 10 marks)



Many businesses will grow in size over a period of time.

2 (a) Which **one** of the following is a method of internal growth for a business? (1)

Select **one** answer.

Internal growth occurs when:

- A** one business takes over another
- B** there is an increase in interest rates
- C** a business merges with another business
- D** a successful new product is developed.

(b) Identify **two** reasons why a business might want to grow. (2)

1

2

(c) Explain **one** way in which a business might benefit from economies of scale. (3)

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(d) Describe **one** possible disadvantage for a business when it grows in size.

(4)

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(Total for Question 2 = 10 marks)



Read the passage carefully and then answer question 3.

New Rules to Reduce Binge Drinking

Pubs, bars and shops face new rules aimed at reducing binge drinking. The government is worried about the cost of alcohol-related illness and the negative externalities associated with binge drinking.

One of the reasons given for the rise in binge drinking is the low price of alcohol.

Some supermarkets are charging as little as 22p a can for their own brand beer. Many pubs run special offers including 2 for 1, and happy hours. In addition, the fact that incomes are rising means more people can afford to buy alcohol.

3 (a) Which of the following is the best definition of the term **'negative externalities'**? (1)

Select **one** answer.

'Negative externalities' occur where:

- A the government increases taxation
- B costs are paid by people outside a business
- C the government reduces unemployment benefits
- D costs are paid by a business rather than society.

(b) State **three** social problems associated with binge drinking. (3)

1

2

3



(c) (i) Identify **one** method the government could use to reduce binge drinking. (1)

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(ii) Explain how this method might lead to a reduction in binge drinking. (3)

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(Total for Question 3 = 8 marks)



Read the passage carefully and then answer question 4.

In 2009, shortly after winning the Premiership title, Manchester United Football Club increased its ticket prices for the 2009 – 2010 season. An economist would describe demand for Manchester United season tickets as being price insensitive. The increase in price means that supporters are now paying 50% more than in 2005. Despite the price increase, the club fills its stadium each home game. Demand is so strong that the club is planning to increase the size of the stadium by another 20 000 seats.

Other football clubs in the Premier League are not in such a fortunate position as Manchester United. Portsmouth Football Club decided to cut the price of some of its season tickets by over £100.

4 (a) The demand for Manchester United football tickets is price insensitive. This means that when the price is increased:

(1)

Select **one** answer.

- A** revenue increases
- B** profit decreases
- C** demand increases
- D** costs increase.

(b) Identify **two** factors which might affect the price sensitivity of a season ticket.

(2)

1

2

(c) Explain **one** benefit to a business such as Manchester United of the demand for its tickets being price insensitive.

(3)

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(d) Do you think that Portsmouth FC's revenue will increase as a result of reducing the price of its season tickets? Justify your answer.

(6)

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



SECTION B

Answer ALL the questions. You should spend 30 minutes on this section.

Read the following article carefully and then answer questions 5 to 7.

"Pumped Up: Petrol Prices Are Soaring Again!"

Petrol prices have risen following increases in both the price of oil and the tax the government places on fuel.

The rise in petrol prices affects stakeholders in different ways. Rising fuel prices affect drivers and may mean many have to cut back on spending on other things. This might affect recovery from recession.

The Freight Transport Association (FTA), a pressure group representing companies operating lorries, has pointed out that the rise in fuel prices has a significant effect on the cost of running this type of business. Some may have to close down which only adds to unemployment.

BP is a very large oil company. In the first nine months of 2009 its sales totalled \$66.2 billion and it made a profit of \$10.5 billion.

- 5** Identify **two** stakeholders who are affected by an increase in the price of petrol. For **each** stakeholder, explain how they are affected.

Stakeholder 1

(1)

Explanation

(3)



Stakeholder 2

(1)

Explanation

(3)

(Total for Question 5 = 8 marks)



6 (a) Define the term '**monopoly**'.

(2)

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(b) State **two** possible benefits to society of large companies such as BP.

(2)

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(Total for Question 6 = 4 marks)



Read the following passage carefully and then answer question 8.

Insolvency

Karl Moat is a farmer who had been in business running Moat Hall Farm for over 20 years. It had become a profitable business through selling free range food and offering farm tours to schools and families. In 2009 there was an unexpected fall in the firm's revenue. Following an outbreak of illness amongst visitors at a similar farm nearby, the authorities temporarily closed all farms in the area whilst they investigated the cause.

When he was allowed to reopen the number of visitors was much lower than before. Despite spending money on an expensive promotional campaign and cutting his prices to attract his customers back, Moat Hall Farm had to close down. The reason why Karl had to close the business was because of poor cash flow.



8 (a) State what is meant by the term 'insolvency'.

(2)

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*(b) Identify **two** possible factors that could have affected Moat Hall Farm's cash flow.
For each factor explain how it could lead to business failure.

Factor 1

(1)

Explanation

(3)

Factor 2

(1)

Explanation

(3)

(Total for Question 8 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS



SECTION C

Answer ALL the questions. You should spend 25 minutes on this section.

Read the following passage carefully and then answer questions 9 to 11.

In recent years China has enjoyed record levels of economic growth. However, in this race for growth the Chinese government has been accused of sacrificing the environment so as to benefit from rapid economic development.

In one town, clouds of yellow smoke hang in the air as a result of the constant burning of plastic. The workers suffer from the polluted fumes from the fires which melt the plastic. The cause of this pollution is the burning of supermarket bags and food packaging waste, imported from Britain. Pollution of this kind not only affects people living in the area it can also have lasting effects which can affect future generations.

The Chinese government is under increased pressure to regulate pollution in order to achieve sustainable growth.

9 What is meant by the term '**economic growth**'?

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(Total for Question 9 = 2 marks)



10 Identify **two** possible factors which could influence the ability of an economy, such as that of China, to grow. For **each** factor explain how it would influence economic growth.

Factor 1

(1)

Explanation

(3)

Factor 2

(1)

Explanation

(3)

(Total for Question 10 = 8 marks)



(Total for Question 11 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS



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